

Home Office Expenses for Small Business

KS-008

What business owners should know before claiming working-from-home costs.

TOPIC	PREPARED BY	FORMAT
Small business education	SML Bookkeeping & Tax	Knowledge Sheet

Key message

Home office expenses may be deductible when the home is genuinely used for business or work purposes, but the claim needs records and a reasonable basis. Some expenses are mixed private and business costs, and different methods or tax consequences may apply.

Home office expenses - claim workflow

1

Confirm use

Identify how the home area is used for business.

2

Collect records

Keep bills, receipts and work-use evidence.

3

Separate costs

Distinguish business use from private use.

4

Review method

Confirm the appropriate calculation approach.

What home office expenses may include

Home office costs can include running costs such as electricity, internet, phone, stationery and office equipment. In some cases, occupancy costs may be relevant, but those claims require careful review.

Records to keep

- Utility, internet and phone bills.
- Receipts for office furniture, computers and equipment.
- Records of hours worked from home or business use percentage.
- Photos or notes about the workspace where useful.
- Accounting records showing how expenses were treated.

Areas that need care

- Mixed-use internet or phone expenses.
- Large equipment purchases that may need depreciation.
- Occupancy costs such as rent, mortgage interest or rates.
- Capital gains tax implications for some home business claims.
- Claims made without evidence of business use.

Common mistakes to avoid

- Claiming all household bills as business expenses.
- Using a home office method without checking current rules.
- Ignoring private use of internet, phone or equipment.
- Claiming occupancy costs without accountant review.

Example

A sole trader works from a spare room three days per week and uses home internet for both business and personal use. The owner should keep bills and work-use records, then ask the accountant how to calculate the business portion.

Common Questions

Can I claim my full internet bill?

Usually only the business-use portion is relevant if the service is also used privately.

Can I claim rent or mortgage interest?

Possibly in limited circumstances, but this can have broader tax consequences and should be reviewed.

Do I need to keep records of hours worked from home?

Yes, work-use records can help support the calculation method used.

Reference Sources

Source	Used for
Australian Taxation Office	Home office expense rules, working-from-home methods and substantiation.
Business.gov.au	Practical home-based business record guidance.
CPA Australia	Professional context on home office claims and tax risk.

Important note

This Knowledge Sheet provides general information only. It does not take into account the full circumstances of any business. Speak with SML Bookkeeping & Tax before making tax, payroll or compliance decisions.